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**ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Commissioner

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November 10, 2008

Mr. Don Brandt  
President and CEO  
Arizona Public Service  
400 No. Fifth Street  
M.S. 9042  
Phoenix, AZ 85004

**Re: Failure of Arizona Public Service Company to secure contract for landfill gas renewable energy at the City of Phoenix Skunk Creek Landfill; status of contracts for renewable energy from the City of Phoenix 91<sup>st</sup> Avenue and 97<sup>th</sup> Avenue Wastewater Treatment facilities.**

Dear Mr. Brandt:

Recent news reports indicate that the City of Pasadena, California has signed a contract for 30,000 Megawatt hours of landfill gas renewable energy from the City of Phoenix's Skunk Creek Landfill.<sup>1</sup> As you know, landfill gas is among the cheapest and most efficient forms of renewable energy, and is an eligible technology under Arizona's Renewable Energy Standard ("RES"). And yet, somehow, it would appear that Arizona utilities allowed this contract to slip through their fingers, to the detriment of Arizona ratepayers.<sup>2</sup>

It is my understanding that Arizona Public Service Company ("APS") had been in negotiations with Ameresco, the third party entity that purchased the rights to the gas from the Skunk Creek Landfill, providing Ameresco the right to sell the renewable energy that can be generated from the landfill's gas. Apparently, APS, dissatisfied with the price that was being offered by Ameresco, required it to bid into APS' most recent Request for Proposal ("RFP").

First, please explain to the Commission how and why APS failed to secure this contract, and whether there remains any opportunity to tap into Skunk Creek Landfill gas.

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<sup>1</sup> "City to buy power generated by landfill", Pasadena Star News, October 16, 2008.

<sup>2</sup> This comes on the heels of the announcement that APS has again opted to purchase out of state wind energy – this time 100 Megawatts of wind from the High Lonesome Wind Ranch in New Mexico. I have often argued that APS should seek to make in-state renewable energy purchases whenever possible, rather than send Arizona ratepayer dollars to out of state entities. APS has argued because it always seeks to procure the cheapest renewable energy sources, it is forced to buy out-of-state wind. In the case of the Skunk Creek facility, it would appear that the Company has allowed an inexpensive source of renewable energy located in Arizona that could be easily purchased by an Arizona utility to be bought up by a California municipality.

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Second, please tell the Commission whether the loss of this contract will negatively impact the ability of APS to meet its Renewable Energy Standard requirements in either 2008 or 2009. If the Company was counting on the gas from Skunk Creek to meet its RES requirement, please state the amount that APS' portfolio will be reduced by virtue of the loss of the Skunk Creek contract. Please also describe how APS plans to fill the gap.

Third, it is my understanding that APS is negotiating for waste gas energy from two additional City of Phoenix facilities, including the 91<sup>st</sup> Avenue and 97<sup>th</sup> Avenue Wastewater Treatment plants. It would seem that the loss of these contracts would be extremely unfortunate, as, like the Skunk Creek gas, they represent local sources of renewable energy that could help APS meet its RES requirements at a lower cost.

I look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kris Mayes', with a stylized, flowing script.

Kris Mayes  
Commissioner

Cc: Chairman Mike Gleason  
Commissioner William A. Mundell  
Commissioner Jeff Hatch-Miller  
Commissioner Gary Pierce  
Ernest Johnson  
Janice Alward  
Brian McNeil  
Rebecca Wilder